

To: Financial Services Committee
From: Congressman Joe Donnelly
**Re: Statement for the Record for Financial Services Hearing on “Using
FHA for Housing Stabilization and Homeownership Retention”**
Date: April 9, 2008

Opening Statement

I want to thank Chairman Frank and Ranking Member Bachus for holding this very timely and important hearing. We have all witnessed the devastating collapse of the mortgage market that has unraveled over the last year. This tragedy has not only struck homebuyers who entered into non-traditional mortgage products that they now find they are unable to re-pay, but has reverberated throughout the economy. Everyone from low-income homebuyers to senior citizens who rely on investments for retirement have suffered as a result.

Indiana has been one of the hardest hit states in this foreclosure crisis. Loss of manufacturing jobs combined with a rise in exotic mortgage products and lack of scrutiny in underwriting standards all seem to have contributed to this nightmare. According to the Bureau of Labor Statistics, our state lost 10,000 jobs in February of this year and has lost a total of 27,000 jobs in the manufacturing industry since 2000. These devastating numbers have played a significant role in the mortgage crisis and led to a disproportionate effect on our state, making Indiana one of the hardest hit. In 2007, 53,000 homes received foreclosure notices in my state alone. This number is up 74 percent from the number of notices in 2005. That means that 53,000 people in my state will be forced out of their homes, may have to pull their children out of schools and find another place to live.

This House Financial Services Committee has been very active in trying to remedy some of the pain to borrowers so that families can develop a workout plan to pay off their mortgages and remain in their homes. Chairman Frank’s new proposal to allow the Federal Housing Administration to insure refinanced mortgages that have been written down by a mortgage holder or lender will allow borrowers to develop a plan that will work for them. If a home is foreclosed upon, it devalues significantly, reducing surrounding property values and the lender has trouble recouping the loss. I commend the chairman for his tireless effort to help distressed American families who have been impacted by the mortgage crisis.

It is important that we work together in a bi-partisan manner to ensure that families are able to find a way to stay in their homes. This is a problem that will only continue to get worse and if we can find a way to workout a plan to keep families in their homes, then we can help to ease the pain that is being felt in the overall economy.

Thank you, Mr. Chairman.